

**Executive Summary Report  
of the  
General Government Subcommittee  
of the  
Government Efficiency Commission**



**November 8, 2004**

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## INTRODUCTION

The Indiana Government Efficiency Commission was charged by the Legislature to:

- (1) Review all state funded agencies, departments, and programs.
- (2) Make recommendations to improve efficiency and reduce waste or other unnecessary costs associated with any state funded agency, department, or program. (1)

The General Government Subcommittee (GGSC) of the Indiana Government Efficiency Commission was charged to perform this task on those Agencies, Departments and Programs of the Executive Branch not covered by the other three Subcommittees:

The K-12 education subcommittee,  
The higher education subcommittee,  
The Medicaid and Human Services subcommittee.

Those Agencies, Departments and Programs of the Executive Branch studied by the GGSC account for seventeen point eighty-three percent (17.83%) of total appropriated General Funds, seventy point eighty-five percent (70.85%) of total appropriated Dedicated Funds and thirty-seven point sixty-one percent (37.61%) of all appropriated funds in the current biennium Budget.

The Department of Correction accounts for the largest percentage of appropriated General Funds of all of the Agencies, Departments and Programs of the Executive Branch studied by the GGSC at seven point twenty eight percent (7.28%). All of the other Agencies, Departments and Programs of the Executive Branch studied by the GGSC accounted for a combined two point twelve percent (2.12%) of appropriated General Funds.

Two Agencies within the charter of the GGSC accounted for 47.42% of all Dedicated Funds appropriated by the Legislature for FY 2004-2005: (See Tables Three and Four in the Appendix)

Department of Revenue	34.24%
Department of Transportation	<u>13.18%</u>
Total Dedicated Funds Appropriated	47.42% (\$3,922,123,767)

The Department of Revenue is a “collector” of taxes which it transfers to the Treasurer. The Department of Transportation is almost exclusively funded by Dedicated Funds which it uses to construct and maintain the system of State highways, roads and bridges to support commerce within the State.

The GGSC chose to review both the Department of Revenue and the Department of Transportation as a part of its Charter.

Eight members of the GEC were assigned to the GGSC.

S. W Baranyk - Chairman

Principal Associate, Baranyk &  
Associates

IDOC Task Team

BMV Task Team

Jeff Brougher -

CEO, International Medical Group

(Mr. Brougher was forced to retire from our work due to health reasons and was replaced by Mr. Skolnek)

Donald Cook - INDOT Task Team

Retired Utility Executive

Mark Giaguinta - New Appropriations Review

Partner, Haller & Colvin, Attorneys

Larry Kennedy - IDEM Task Team

Retired Bank Executive

Khadijah Muhammad - IDOC Task Team

President & CEO, KAM Consulting

Jerry Payne - IDOR Task Team

Lobbyist

Thomas Sponsel - DNR Task Team

Partner, Greenwalt & Sponsel,  
CPA's

Brad Skolnek - Personnel & IT Task Teams

Partner, Stewart & Irwin, Attorneys

The enabling legislation made no provision for any direct supporting resources to assist the GEC and its Subcommittees in performing their work. The following Agencies were named as Advisors to the Commission;

The State Budget Director.

The Commissioner of the Commission for Higher Education.

The Indiana State Board of Education Administrator.

The Executive Director of the Legislative Services Agency.

The State Budget Director, Marilyn Schultz, and her staff and the entire Legislative Services Agency provided invaluable support and guidance to the work of the GGSC. Without their continued willingness to accommodate our needs it would have been impossible for the GGSC to perform any meaningful work.

In addition to those Agencies cited in the enabling legislation the Departments of Administration, State Personnel and the Auditor of the State provided invaluable support to our work. Both the Department of Administration and the Auditor of the State have committed to a project which grew out of the work of the GGSC that has the objective of redefining and standardizing the recording of transactional information into the State Information System to support more effect analyses of the many functions performed by State Government. The State Budget Agency, the Office of the Examiner/Board of Accounts and the Office of the Superintendent of Education have joined them in this effort. This work has been combined with the Unified Accounting project initiated by Governor Kernan.

It is noteworthy that both the State Budget Director, Marilyn Schultz and the Auditor of the State, Connie Nass, along with their staffs have assumed key leadership roles in this effort which they both recognize is vital to bringing about the needed improvements in Efficiency and Effectiveness in our State government through better management. Their joint leadership and commitment to this effort are crucial to making real progress. This writer commends both of

them and their staffs for their devotion to this work without regard to possible political implications.

The enabling legislation did authorize the Commission to “accept donations to carry out the purposes of this SECTION”. Using this as a mandate the Chairman of the GGSC sought out knowledgeable professionals with expertise in the subjects of the Agencies selected for study to serve as members of Task Team on a pro bono basis. Task Teams were formed to study the:

- Department of Correction
- Department of Revenue
- Department of Environmental Management
- Department of Natural Resources
- Department of Transportation

In addition, one Agency and one Functional Area were also studied because the work they perform cuts across all State agencies, departments and programs:

- State Personnel Agency
- Information Technology

Over fifty (50) professionals from the private sector, a few with some prior experience with our State government but most with no prior experience with our State government, participated in the various Task Teams along with those who served as members of the GGSC.

Due to the constraints in Resources and Time the Chairman of the GGSC, Mr. Baranyk, personally undertook an overview analysis of the BMV recognizing that this Agency has been and is being scrutinized by many groups. Mr. Baranyk also closely participated in the analysis of the Department of Correction as this Agency is so critical to Public Safety and because a special request was made by Governor Kernan to include this Agency in our work.

The members of the GGSC, the members of the various GGSC Task Teams and those state employees working in those Agencies selected for analysis and those state employees working in the supporting Agencies who worked with the GGSC and the Task Teams invested in excess of 7200 hours to perform the analyses and prepare the reports covering the work of the GGSC of which total the volunteers on the GGSC and the Task Teams accounted for more than 4800 hours.

Had the State contracted for this work at a nominal fee level of \$150 per hour the cost for the 4800 hours invested by the volunteers would have been at least \$728,400 for the volunteer effort not including any out of pocket expenses for travel, meals, parking, etc which at this writing appear to be less than \$4,000. Many of the General Government Subcommittee Commission members and the GGSC Task Team members did not turn in legitimate expenses incurred for parking and mileage.

Given that all of this work was performed by professionals volunteering their time and talent for the benefit of all of their fellow citizens of Indiana it is incumbent upon the Legislature and the Executive Branch to take seriously the many Findings, Conclusions and Recommendations contained in both this Executive Summary as well as in the individual Task Team Reports. To do otherwise would be to perform a disservice to a group of dedicated citizens who gave generously to make this effort a meaningful success.

## **SUMMARY OF OBSERVATIONS**

### **KEY OBSERVATION ONE**

The Executive Branch (and the Legislative Branch) of our Indiana State Government is unable at this time to effectively manage all of the many functions of our State Government because in many cases the data needed for efficient management are not now available on a Timely, Accurate and Complete basis.

### **KEY OBSERVATION TWO**

Our State government currently makes at best limited effective use of Information Technology as a tool to improve the operation of the many functions of State government across all Agencies, Departments, Programs and functional areas.

### **KEY OBSERVATION THREE**

The Executive Branch of Our State government currently consists of a bewildering array of Agencies, Departments, Commissions, Programs and other functions all of which constitute, in the mind of this writer, an unmanageable organization. It will be almost impossible to cause significant improvements in both Efficiency and Effectiveness within the Executive Branch of our State Government until major changes are implemented to make the organizational structure of the Executive Branch both rational as well as manageable. This problem is compounded by Key Observation One above. It is at best difficult in many cases to hold specific individuals Accountable for the results produced or not produced.

### **KEY OBSERVATION FOUR**

Based on our work within the GGSC of the Indiana Government Efficiency Commission combined with our charge by the Legislature to:

- (1) Review all state funded agencies, departments, and programs,
- (2) Make recommendations to improve efficiency and reduce waste or other unnecessary costs associated with any state funded agency, department, or program, this writer has concluded that:

It is not possible to SIGNIFICANTLY REDUCE the cost of State government within those Agencies, Departments and Programs included in the charter of the GGSC without effecting RADICAL CHANGES TO THE NUMBER AND COMPOSITION OF THE MANY PROGRAMS AND SERVICES CURRENTLY PROVIDED BY STATE GOVERNMENT.

## **KEY OBSERVATION FIVE**

It is not possible to SIGNIFICANTLY REDUCE the cost of State government within those Agencies, Departments and Programs included in the charter of the GGSC without effecting RADICAL CHANGES TO THE CURRENT OPERATING CULTURE WITHIN STATE GOVERNMENT

## **KEY OBSERVATION SIX**

Because there is currently no permanent Agency, Department or Program within the Legislative or Executive Branches of our State government specifically charged with analyzing all of the Agencies, Departments and Programs of our State government (all budgeted appropriations) to identify and implement potential savings through improvements in efficiency/reductions to waste and the elimination of superfluous Agencies, Departments and Programs the opportunities to identify and implement these possible savings is now often lost.

## **KEY OBSERVATION SEVEN**

While there are many calls for the establishment of an office within our State government to focus on the detection of Fraud within State government it is the opinion of this writer that it would be more cost effective in the long run to strengthen and enforce current measures to prevent fraud as opposed to devoting resources to detecting fraud once it has occurred. Further, rather than create an entirely new office to pursue fraud in State government, it is the judgment of this writer, based on the information and knowledge gained in performing the work of the GGSC, that the more cost effective approach would be to strengthen the office of the State Examiner/Board of Accounts by providing additional tools such as modern forensic technology and staff trained in the forensic sciences as applied to State and Local government.

## **KEY OBSERVATION EIGHT**

The Legislature, in concert with the Executive Branch, must thoroughly revise the State Personnel policies on Hiring, Promoting and Financially Rewarding State employees to enable the State to attract and retain the highest caliber of individual to all key positions within State government.

## **KEY OBSERVATION NINE**

The GGSC believes much, much work needs to be done in educating the public to the facts associated with the costs of operating the DoC and the steps needed to reduce these costs or at least curtail their rate of growth to something closer to the growth in offender population. The public needs to better understand the costs of dealing with those criminals “we don’t like” compared to the costs of dealing with those criminals “we fear”.



## **KEY OBSERVATION TEN**

In addition to all of the data studied by the GGSC two pieces of information emerged at the end of our work which demands further analysis. The total cost to the State during F.Y. 2004 of State Employee Disability Payments and Workmen's Compensation payments was approximately \$27.0 Million. This is a significant amount which should be studied in much greater depth to determine the root causes and what steps can and should be taken to bring these costs down.

## **SPECIAL OBSERVATION**

Nothing written in this report should be construed to suggest or imply that those working in our State government are not working diligently on behalf of the people of Indiana. This writer came to the Indiana Government Efficiency Commission with the predetermined conclusion that one simple answer to reducing the \$800 Million budget deficit would be to find those many indolent workers in State government and bid them farewell. This writer has utterly failed in this endeavor. All of those State government employees, at all levels, with whom this writer has come into contact have proven to be honest, hard working and conscientious servants trying to do their best for the people of Indiana as either they see it or as their leaders see it.

## **SUMMARY OF RECOMMENDATIONS**

### **KEY RECOMMENDATION ONE**

The Legislature and the Executive Branch should immediately take the steps necessary to validate and support with allocated resources and appropriate directives the work of the Uniform Accounting/Chart of Accounts Task Team.

This is a multi-agency effort with direct participation by;

The State Budget Agency,  
The Auditor of the State,  
The Department of Administration and the Division of Information  
Technology,  
The Office of the Examiner/State Board of Accounts,  
The Office of the Superintendent of the Department of Education,

The Uniform Accounting/Chart of Accounts Task Team is working to bring about one of the most critical and fundamental changes to State government;

the detailed standardization of the recording of all business transactions to develop Timely, Accurate and Complete information to support detailed analyses of all of the functions of our State government to identify opportunities for cost reduction and performance improvements and to generally support more effective management of State government at all levels.

### **KEY RECOMMENDATION TWO**

The Legislature and the Governor must immediately restructure the entire Executive Branch of State Government to make it functionally more effective and more manageable. Some, but not all, of the logical steps to this end are described in this Report. These steps are considered to be pivotal to bringing about fundamental change in the way State government operates to make it more Efficient/Cost Effective by reducing bureaucracy and the number of upper level Executive and Managers.

- A. The Legislature and the Governor shall immediately establish a new position of Chief State Information Technology Officer (C.S.I.T.O.) reporting directly to the Governor.
- B. Although the State Constitution does not provide for a true Chief Financial Officer the Legislature and the Governor shall establish an office of Chief State Fiscal Officer (C.S.F.O.) with complete Responsibility, Accountability and Authority for all functions currently performed by the State Budget Agency, all accounting and accounting related functions now occurring within the various Agencies, Departments and Programs of State government, all those functions now performed by the Department of Revenue, the Local

Government Finance Department and all other Agencies, Departments and Programs related to budgeting and controlling spending in State government.

- C. The State Personnel Office shall be redefined and restructured to have a Chief State Human Resources Officer (C.S.H.R.O.) with full Responsibility, Authority and Accountability for all aspects of Human Resource Management within all Agencies, Departments and Programs of State government.
- D. The Legislature and the Governor should establish an Office of Economic Development headed by a Chief Economic Development Officer (C.E.D.O.) with complete Responsibility, Accountability and Authority for all functions related to economic development and job creation and retention within the State of Indiana.
- E. The Legislature and the Executive Branch must immediately review all of the “Commissions”, “Boards” and “quasi-governmental agencies” scattered throughout State government with the objective of eliminating any and all such budgeted items which serve no purpose other than to “advise” and to either eliminate, combine or privatize others.

### **KEY RECOMMENDATION THREE**

The Legislature and the Governor must immediately take those steps needed to modernize the State's Personnel policies particularly those impacting hiring, promoting, retaining and financially rewarding State employees.

### **KEY RECOMMENDATION FOUR**

The Legislature and the Governor must work together to create an Office of Government Efficiency Improvement (or some other suitable title) with the clearly defined purpose of continuing to Study and Analyze our State government at all levels to identify opportunities and make detailed recommendation for improvements to productivity, efficiency and utilization of State government resources to reduce the cost while improving the effectiveness of State government.

### **KEY RECOMMENDATION FIVE**

Rather than establish an entirely new office (Inspector General, Auditor General, etc.) to pursue fraud in our State government this writer, based on the knowledge and experience gained during the course of his work on the GGSC, feels very strongly that a better approach is to:

1. Provide to the Board of Accounts, the Attorney General and the State Police those tools and skills needed to detect and prosecute fraud in government at all levels within the State of Indiana. This includes the power of the subpoena if such power is not now in place.
2. Strengthen and rigorously enforce with meaningful sanctions the existing policies and procedures designed to prevent fraud from occurring,
3. Implement a policy of immediately removing from office on paid leave/suspension the management of any Agency, Department or Program where an instance of fraud is suspected, such paid leave/suspension being terminated one way or the other when the fraud investigation is complete.

#### **KEY RECOMMENDATION SIX**

The Legislature and the Governor should continue to work expeditiously on all those programs designed to relieve the growth in offender population in our State prison system and to accelerate the release of those offenders who no longer pose a meaningful threat to society as the best means of controlling and ultimately reducing the cost of operating our Department of Correction.

## **OBSERVATIONS**

### **GENERAL OBSERVATION**

This writer as the Chairman of the GGSC worked closely with the other Commissioners on the GGSC and the various Task Teams during the course of their work. The Chairman sat in on a number of GGSC Task Team meetings and had discussions with a number of the Task Team members as the work progressed. The Chairman also met and talked with a number of individuals both within and outside of State government including those who worked with the various Task Teams and many who did not actively participate in any of the Task Teams but who had valuable insights into the work being performed. These experiences have provided the Chairman with a unique overview of the work of the Task Teams and of the workings of the Executive branch of our State Government.

Following are the Key Observations of the Chairman which are the basis for the Recommendations advanced in this Executive Summary. In some cases these Observations and Recommendations are consistent with those contained in the various Task Team reports. In other cases they are independent of and at times at variance with those contained in the various Task Team reports as the Chairman enjoyed a unique perspective on the work being performed. Where the Observations and Recommendations offered in this Executive Summary are at variance with those contained in the various Task Team reports there should be no concern about the validity of the work performed and the Recommendations contained in the various Task Team reports. The Chairman stands with and fully supports all of the Task Teams and the results of their work. But, due to the constraints of time it was not possible to share observations and conclusions across all of the Task Teams. Only the Chairman enjoyed this view which was obtained because the Chairman voluntarily chose to essentially abandon his professional occupation during his service on the General Government Subcommittee of the Indiana Government Efficiency Commission and devote himself almost exclusively to this work.

### **KEY OBSERVATION ONE**

The Executive Branch (and the Legislative Branch) of our Indiana State Government is unable at this time to effectively manage the many functions of our State Government because in many cases the data needed for efficient management are not now available on a Timely, Accurate and Complete basis.

A prime example of this is cited in the report of the Information Technology Working Group wherein it is stated that they were unable to obtain a firm number or even a reasonable estimate of the total amount spent by the State in anyone year on Information Technology. One estimate was of about \$243 Million and another of about \$83 Million. And one agency reported that they were confident their annual I.T. spending alone was \$125 million. Other examples of this type were encountered by the various Task Teams and the Chairman during the course of this work.

There are several root causes for this serious shortcoming:

The Chart of Accounts used by the State to record the daily transactions of State Government is insufficiently robust in its current configuration to accommodate the needs of modern management methods which require a detailed measurements of individual actions and functions performed within State government.

The current State Chart of Accounts is very effective in performing the primary tasks for which it was designed;

Accurately tracking all revenue by amount and source coming into State government,

Accurately tracking the resulting services and disbursements flowing out of State government to the various constituencies.

Many of those in key decision-making positions in State government have not been exposed to the types of quantitative measures used today by all well managed organizations.

The private sector learned many decades ago that you cannot manage what you either cannot or do not measure,

Many in our State government today have never been asked to provide the types of quantitative information required for effective management of the many functions of government,

Many in our State government are not familiar with the fundamental concepts of Productivity, Efficiency and Utilization and their application to the functions of government,

Productivity measures the “Good Output” provided as measured against all of the resources devoted to the function being measured,

Efficiency is a measure of output provided compared to the resources specifically devoted to producing the output,

Utilization measures the application of resources provided to actually performing a function,

Productivity is the mathematical product of Efficiency multiplied by Utilization. (1)

There is a prevailing cultural attitude in many quarters of our State government that “Government is not a business and should not be run like a business”.

Because of this prevailing cultural attitude in many quarters of our State government no serious effort is made to measure the many functions of

State government and suggestions to do so are met with a combination of skepticism and disinterest.

The value of having Timely, Accurate and Complete information available for purposes of measurement and management is not well understood and accepted today throughout our State government.

Historically State government does not operate with the same levels of urgency and accountability for results as that found in the private sector.

This writer believes it is imperative that this issue (lack of Timely, Accurate and Complete data) be addressed as quickly and effectively as possible so that costs can be reduced in operating State government because;

Meaningful recommendations for improvements in efficiency and reductions to cost could not be developed in all cases by all of the Task Teams of the GGSC because the hard data needed to support such an analysis was most often not available on a of Timely, Accurate and Complete basis,

There is little hard evidence to support the assumption that the economy of our State will expand at a sufficiently rapid pace in the immediate future (the next biennium) to enable the State to “grow out of the current fiscal dilemma” without some combination of either reduced services by State government and/or higher taxes. Neither alternative is deemed desirable.

(1) Please refer to the discussion of Productivity contained in the Appendix

## **KEY OBSERVATION TWO**

Our State government currently makes at best limited effective use of Information Technology as a tool to improve the operation of the many functions of State government across all Agencies, Departments, Programs and functional areas.

The Information Technology Working Group has reported that the current state of affairs with respect to the application of Information Technology in our State government is characterized by “silos” of Information Technology Systems (hardware and software) which in many cases cannot electronically communicate outside of the home silo (specific Agency, Department, etc.) with others in State government. Further, some of these Information Technology Systems are either home grown and/or obsolete making it that much more expensive to maintain them without solving the fundamental problem of supporting a stand alone (silo) environment.

During the late 1990s the State recognized the need to change this environment and selected an ERP Solution, PeopleSoft, which, if properly implemented and applied across all of State government (or at a minimum the Executive Branch), would eliminate many of the current I. T. problems. Unfortunately the implementation of the PeopleSoft system has not been as effective as the State needs with the result that many in State government have adopted an “Anything but

PeopleSoft” attitude toward this system. There is widespread resistance at the “working levels” within our State government to the implementation of PeopleSoft even within those agencies where the implementation is moving forward.

As noted above hard figures are hard to obtain on so many issues impacting the management of State government and the total cost to date of the PeopleSoft implementation is one of those. The best guess of this writer, based on comments, some hard data and some anecdotal evidence is that the State has most likely invested in excess of \$40 million thus far (over some five or six fiscal years) just for outside contractual services to implement the PeopleSoft system with limited results to date.

Whatever the current situation and whatever the investment to date, the State has no choice but to design and implement a thorough plan for moving the PeopleSoft implementation along as quickly as possible including the entire Executive Branch and including the full breadth of Applications on license from PeopleSoft.

Unless and until the “silos of I.T.” which now exist within our State government are dismantled and PeopleSoft is effectively implemented across the entire Executive Branch (and then moved to the other branches) it will continue to be a Herculean task to attempt to gather on a Timely, Accurate and Complete basis the information needed to efficiently and effectively manage our State government. Without the ability to do this (gather on a Timely, Accurate and Complete basis the information needed to efficiently and effectively manage our State government) the prospects for reducing the cost of State government without applying arbitrary measures is at best a dim hope.

In large measure because of the difficulties expressed in these first two observations the GGSC was unable to either develop recommendations for significantly reducing the cost of those Agencies, Departments and Programs which it reviewed or to verify that such savings are truly not now available within these entities.

### **KEY OBSERVATION THREE**

The Executive Branch of Our State government currently consists of a bewildering array of Agencies, Departments, Commissions, Programs and other functions all of which constitute, in the mind of this writer, an unmanageable organization. It will be almost impossible to cause significant improvements in both Efficiency and Effectiveness within the Executive Branch of our State Government until major changes are implemented to make the organizational structure of the Executive Branch both rational as well as manageable. This problem is compounded by Key Observation One above. It is at best difficult in many cases to hold specific individuals Accountable for the results produced or not produced.

One of the simple and subtle rules of good executive management is to closely define the “span of control” of any one individual. Typically the limit is five or at best six direct reports to an executive manager for that manager to be able to exercise efficient and effective control over those direct reports. This writer has tried to count the number of entities reporting in some



fashion to the Governor and, as might be expected, it is hard to determine just how many individual entities there are in total to begin with. It appears that there are approximately (depending on who does the counting) seventy-four (74) State Agencies and three hundred and nineteen (319) different Boards according to that paragon of accuracy and erudition in reporting, the Indianapolis Star.

The State Budget Agency lists one hundred and thirty-seven (137) separate entities by line item for which monies are appropriated by the Legislature. This includes thirty seven (37) entities for General Government including the Legislature itself, forty seven (47) for Public Safety including the Department of Corrections and the State Police and twenty-one (21) for Family and Social Services and Veteran's Affairs. The total dollars appropriated for these one hundred and thirty-seven (137) separate entities during Fiscal Years 2004-2005 was \$20, 624,209,920.

Of the one hundred and thirty-seven (137) separate entities for which the Legislature appropriated monies during the current biennium, five (5) accounted for \$10,817,139,828 or fifty two point forty-five percent (52.45%) of the total appropriated from all sources (General Fund, Dedicated Funds and Federal Funds) for all entities. Five (5) entities are major providers of services to the citizens of Indiana;

The Family and Children Division		
of Family and Social Services	\$5,108,529,105	24.77%
The Department of Education	\$4,452,358,839	21.59%
The Teachers Retirement Fund	349,202,364	1.69%
indiana university	539,578,052	2.62%
Purdue University	367,471,468	1.78%

Two entities are major disbursing agents for Dedicated Funds:

The Department of Revenue	\$2,265,416,459	10.98%
The Auditor of the State	873,500,032	4.24%

The five (5) entities listed above as major providers of services to the citizens of Indiana account for \$5,077,116,371 (66.33%) of Total General Funds appropriated. Excluding the two disbursing entities the remaining one hundred and thirty (130) entities accounted for a total of \$2,509,289,212 (32.78%) of total General Funds appropriated, \$2,476,591,065 (61.66%) of Federal Funds appropriated and \$1,674,516,505 (25.94%) of Dedicated Funds appropriated.

Given the mix of General Funds, Dedicated Funds and Federal Funds appropriated by the Legislature and,

The extensive list of Agencies, Commissions, Boards and what not included in the mix and,

The fact that forty-one (41) of these accounted for only (0.37%) of General Funds appropriated and only (0.76%) of Total Funds appropriated (referred to below as

“minor entities”) and,

That it is all but impossible to determine just how many “entities” report into the Governor (the guess of this writer is about one-hundred and nineteen (119) individually funded entities) but recognizing that it far exceeds a “normal” span of control for efficient and effective executive management and that,

Some of these individually funded “minor entities” are referred to as “quasi governmental” which is a term only a journeyman legislator can love let alone understand and justify,

It only seems logical that some number of these “minor entities” and some of the other entities can and should be eliminated, combined and/or absorbed into some other Agency/entity to at least save the administrative and overhead costs associated with administering any functions required by Federal Law. If they are not required by Federal Law (and thus not funded to some extent by Federal Funds) one would have to question the reason for their existence in the first place, particularly in view of the serious financial problems facing the State.

The readers are urged to closely inspect the various Task Team Reports prepared by the work of the GGSC Task Teams. Several of these reports identify potential savings available through a combination of actions by the Legislature and the Executive Branch. In addition to potential savings there are suggestions within the Task Team Report on the Department of Revenue identifying opportunities to increase collections by closing tax loop holes and empowering the Department of Revenue to more vigorously pursue Indiana tax cheaters.

#### **KEY OBSERVATION FOUR**

Based on our work within the GGSC of the Indiana Government Efficiency Commission combined with our charge by the Legislature to:

- (1) Review all state funded agencies, departments, and programs,
- (2) Make recommendations to improve efficiency and reduce waste or other unnecessary costs associated with any state funded agency, department, or program, this writer has concluded that:

It is not possible to SIGNIFICANTLY REDUCE the cost of State government within those Agencies, Departments and Programs included in the charter of the GGSC without effecting RADICAL CHANGES TO THE NUMBER AND COMPOSITION OF THE MANY PROGRAMS AND SERVICES CURRENTLY PROVIDED BY STATE GOVERNMENT.

The work of the GGSC has demonstrated that while there maybe some opportunities for shaving some expenses here and there within State government our Task Teams were unable to identify obvious significant excesses in General Fund spending.

Given that the last Budget as passed and signed into law was approximately \$800 Million out-of-balance to the negative,

Given that it is unlikely that the State economy will grow at a sufficient pace during the next biennium to return the Budget to a “balanced level”,

Given that the State is prohibited from going into debt by our State Constitution and thus the short fall to the Budget cannot be made up by “borrowing” in the conventional sense of the word,

Given that the General Government Subcommittee of the Government Efficiency Commission was charged with examining approximately thirty-seven point sixty-one percent (37.61%) of Total Budgeted Appropriations, seventeen point eighty-three percent (17.83%) of General Funds and seventy point eighty-five percent (70.85%) of Dedicated Funds and assuming that the GGSC is responsible for identifying a proportionate share of the hoped for \$800 million in savings this writer can state unequivocally that;

It is impossible to identify savings of this magnitude within those Agencies, Departments and Programs covered by the charter of the GGSC which can be implemented as a part of the next biennium Budget without resorting to radical changes to the programs and services provided by State government,

On a proportionate basis the GGSC is responsible for identifying 37.61% of the \$800 million out-of-balance problem which equates to \$301 Million,

A “decree” by the Governor and/or the Legislature to arbitrarily cut total General Fund spending by five percent (5.0%) to ten percent (10.0%) within those Agencies, Departments and Programs covered by the charter of the GGSC would result in General Fund savings of from \$68 Million to \$136 Million,

These savings are not available by “counting paper clips and pads of paper” but rather by cutting what many currently in State government consider to be “Bone and Muscle” items in the Budget,

Similar efforts to reduce the level of Dedicated Fund spending (currently \$4,575 Billion) by five percent (5.0%) to ten percent (10.0%) within those Agencies, Departments and Programs covered by the charter of the GGSC by “decree” could result in savings of from \$229 Million to \$458 Million,

The Departments of Revenue and Transportation (both included under the charter of the GGSC) combined account for approximately \$3,062 Billion of total Dedicated Funds appropriated in the current Budget,

Of this amount, the Department of Revenue accounts for \$2,211 Billion through the collection of various taxes which are in turn distributed to the other Agencies, Departments and Programs within State Government,

The Department of Transportation accounts for \$850.9 Million of Dedicated Funds which come from various taxes and are used to fund the construction and maintenance of the State's system of Highways and Bridges and which sum is judged to be insufficient to meet the future needs projected by the Department of Transportation in their current Long Range Plan,

Thus cutbacks in Dedicated Fund spending within those Agencies, Departments and Programs covered by the charter of the GGSC by a "decree" of reducing spending by five percent (5.0%) to ten percent (10.0%) which would reduce Dedicated Fund spending by \$153 Million to \$306 Million would of necessity result in major curtailments and eliminations to services and programs currently funded by this spending.

In view of the above, it is the judgment of this writer that without the identification by the Legislature, the Executive Branch or the Government Efficiency Commission of approximately \$800 Million in immediately realizable savings to the cost of State government for implementation in the next Biennium budget some other drastic and politically unpleasant measures will be required to balance the next Budget. This will require dedicated and cooperative Leadership by both the Legislature and the Governor.

It must be noted that there are indeed some opportunities for immediate savings identified in the various Task Team Reports of the GGSC. Unfortunately these are not of a magnitude in sum total to make a significant contribution to the elimination of the \$800 Million budget problem.

#### **KEY OBSERVATION FIVE**

It is not possible to SIGNIFICANTLY REDUCE the cost of State government within those Agencies, Departments and Programs included in the charter of the GGSC without effecting RADICAL CHANGES TO THE CURRENT OPERATING CULTURE WITHIN STATE GOVERNMENT

As noted in Observations One through Four above it is the judgment of this writer that the current operating culture within the Executive Branch (and within the Legislative Branch as well based on the fact that the current Budget was passed with a recognized \$800 Million problem) does not support making the significant and radical changes needed to sufficiently reduce spending by the amount and type needed to eliminate \$800 Million in budgeted spending.

There is limited support within the many Agencies, Departments and Programs of our

State government for implementing performance measurements which would lead to reduced spending. This reflects a combination of attitudinal and knowledge factors at most levels of State government and in some cases outright resistance to making the needed changes,

In many cases this limited support and resistance to making the needed changes can be traced to fear and ignorance of the unknown as making these changes would radically alter the “rules” by which State government now operates,

Fear of the unknown is always a major obstacle to change within a bureaucratic organization with a long history of doing things in a certain way,

Evidence of this can be seen in the resistance to and tepid support for the implementation of the PeopleSoft system which is vitally needed to provide the analytical information required to measure the performance of State government and through this identify opportunities for continuously reducing costs while improving the delivery of services.

Changing this culture is a key necessity to making State government more efficient, less costly and affordable within the resources available to our State for the foreseeable future. Changing this culture will require some radical realignments in the way the Executive Branch of our State government is currently organized and constituted.

## **KEY OBSERVATION SIX**

Because there is currently no permanent Agency, Department or Program within the Legislative or Executive Branches of our State government specifically charged with analyzing all of the Agencies, Departments and Programs of our State government (all budgeted appropriations) to identify and implement potential savings through improvements in efficiency/reductions to waste and the elimination of superfluous Agencies, Departments and Programs the opportunities to identify and implement these possible savings are now often lost.

The fiscal difficulties facing our State government are not unique to Indiana. Other States have taken a more proactive approach to dealing with these issues, notably the State of Florida.

The Florida Office of Program Policy Analysis and Government Accountability (OPPAGA) has reported to the GGSC that since 1994 they have saved the State of Florida approximately \$530 Million or approximately \$53.0 Million per year on average. Their Director reports that the staff of the Florida OPPAGA currently numbers eighty (80) with an annual budget of \$7.4 Million. These data suggest an average annual payback of slightly over seven times the cost incurred to operate the Florida OPPAGA. Their Director also reports that at least sixteen (16) other states have some form of a similar office to help reduce the costs of their governments and all of those sixteen (16) states have much smaller offices in terms of staffing and budget.

Based on this information and the results of the work of the GGSC it seems obvious that Indiana needs to immediately form such an office to help reduce the cost of our State government.

## **KEY OBSERVATION SEVEN**

While there are many calls for the establishment of an office within our State government to focus on the detection of Fraud within State government it is the opinion of this writer that it would be more cost effective in the long run to strengthen and enforce current measures to prevent fraud as opposed to devoting resources to detecting fraud once it has occurred. Further, rather than create an entirely new office to pursue fraud in State government, it is the judgment of this writer, based on the information and knowledge gained in performing the work of the GGSC, that the more cost effective approach would be to strengthen the office of the State Examiner/Board of Accounts by providing additional tools such as modern forensic technology and staff trained in the forensic sciences as applied to State and Local government.

In recent months there have been a number of revelations of fraud within our State government. These are very serious crimes against the citizens of our State and the perpetrators must be punished. However, in all cases the effort is to chase the horse once it has been determined that in fact the horse has left the barn. Rather than devote precious resources to establishing a new and permanent component of our State government to find fraud and punish the perpetrators it makes more sense to prevent fraud from occurring in the first place. Any effort to specifically detect fraud should be designed to coordinate the efforts of existing agencies such as the State Board of Accounts, the Attorney General and the State Police where subpoena powers currently exist in combination with strengthening the forensic capabilities of the office of the State Examiner/Board of Accounts and implementing a separate program of annual fraud audits.

This writer absolutely endorses the need to vigorously detect fraud, punish the perpetrators and establish stronger barriers to the perpetration of fraud throughout State government. It should be noted that as bad as the recent revelations of fraud in State government have been the Office of the Examiner reports that in Indiana most fraud occurs at the local (County, Township and City/Town) government level. Any permanent fraud detection efforts should therefore be designed to also enforce the laws at these lower governmental levels.

Further, it has been pointed out by the State Examiner that several of the cases of fraud recently uncovered within State government occurred because currently prescribed fraud prevention policies and procedures were not implemented, properly maintained and respected within those Agencies where the fraud occurred. Given the fiscal condition of our State government it makes no sense to establish an entirely new entity specifically to detect fraud when the same objective can be achieved with existing agencies, vigorous enforcement of fraud prevention procedures, more effective detection tools and better coordination/communication between agencies.

## **KEY OBSERVATION EIGHT**

The Legislature, in concert with the Executive Branch, must thoroughly revise the State Personnel policies on Hiring, Promoting, Retaining and Financially Rewarding State employees to enable the State to attract and retain the highest caliber of individual to all key positions within State government.

The Personnel, INDOT, DNR and the IDEM Task Team Reports all point out that the existing State Personnel policies with respect to hiring, promoting and rewarding State employees work against the State in a number of ways. It is often difficult to hire the most qualified individuals due to restrictions on starting salaries, limitations on promotions and, in the judgment of both this writer as well as those who wrote the Task Team Reports referenced above, the severe limitations on providing financial incentives for outstanding contributions.

The Merit system is sorely outdated and in need of massive revision. This is not news.

The policy of administering annual across the board raises to State employees with little if any discretion for individual performance combined with restricted budgets for annual increases has caused the State to become increasingly uncompetitive with the private sector in many cases.

The “implicit policy” of rewarding State employees with “superior benefits” such as health insurance, a defined benefit retirement plan fully paid for by the State, generous holiday and vacation entitlements and, best of all, free parking for those employed in and near the State House complex have not really closed the gap with the private sector in the minds of many long term State employees. And the limited annual raises of recent years reflecting a combination of factors including the fiscal difficulties of the State have exacerbated the issue, particularly when long term State employees have neighbors and friends who work for county and municipal governments who receive higher annual raises on either a percentage or dollar basis.

The attitude expressed to this writer by a number of State employees is that these benefits do not put food on the family dinner table in the evening. Further, while the holiday and vacation benefits are generous, many State employees are unable to take full advantage of all of their vacation entitlement due to job demands. It has been told to this writer by a number of employees that if they were to attempt to take their full vacation entitlement in any one year they would either have their requests denied, postponed or they would be called back from vacation due to pressing demands.

The problem of accrued and unused vacation time for State employees is serious at many levels.

The State enacted a policy of restricting the number of accrued and unused vacation days an employee can accumulate and be paid for when they leave. As a result many State employees feel that they “lost” a large portion of their accumulated benefits without compensation. In some cases State employees appear to be implementing a strategy of accumulating unused vacation time as a protection to a long-term disability situation to provide a bridge until the long-term disability benefit begins.

It is the judgment of this writer, based on all that he has learned about the employment policies and practices of our State government and his professional experiences of over forty years in the private sector that, if a private business followed these same policies and practices, it would soon be either out of business or rapidly headed in that direction.

The problem the State has backed itself into is that, to implement the changes needed to make State employment more competitive for long term employment and not just as a training ground for a more lucrative private sector position (some recruiters have been described as meeting certain employees as they leave in the evening) the State's near-term employment costs will most likely increase at a time when the State can least afford it. But, if the State can hire and retain high caliber employees and reduce the level of turnover it should be able to recoup these costs over time through concomitant savings. Change is needed and it is needed now.

#### **KEY OBSERVATION NINE**

The Department of Correction present a major dilemma to the identification of opportunities to reduce operating costs. The offender population is growing at a compound annual rate of about 4.5% with significant demographic shifts internal to the offender population which are significantly impacting operating costs. The total cost of operating the Department of Correction is growing at a compound annual rate of 8.2%, nearly twice the rate of growth of the offender population reflecting the;

Growth in the offender population,

Changing demographics of the offender population,

Impact of inflation.

Previous decisions to close certain State facilities for the mentally challenged have added to the problem.

The GGSC spent considerable time analyzing the Department of Correction and came to the conclusion that significant savings are not now immediately available within this Agency due to the complexity (size, composition and the dynamics) and growth rate of the offender population and the demands for offender services such as rehabilitation from substance abuse and other costly medical related needs. Further, the ability of the Department to effect serious rehabilitation in the offender population is adversely impacted by the combination of budget constraints and severe over crowding in certain facilities.

As noted in the Department of Correction Task Team report the Legislature and the Governor must continue to work both on reducing the flow of offenders into the prison system and accelerating the flow of offenders out of the prison system back into the community. Programs aimed at these objectives are now underway and some positive results are being experienced. Some of these programs are impacted by local/county politics where judges may prefer one form of program to another. In other cases there has been insufficient local support for programs such as Offender Reintegration. In some case counties have constructed county jails with capacity exceeding their needs with the intention of contracting with the State to house "selected"



offenders and through this receiving per diem payments from the State as a means of paying for the facility.

At this time there does not appear to be any clear cut way to significantly reduce the cost of operating the Department of Correction (DoC) without dramatically changing both the size and the composition of the offender population.

The Community Reintegration Programs and the study being conducted by the Sentencing Commission are key elements in the strategy to rein in the costs of operating the DoC. The rate of inflow of offenders into the system must be reduced and the rate of outflow of offenders from the system must be accelerated. Without major changes to these two key parameters the cost of operating the Indiana State Department of Correction will continue to increase at a rate faster than inflation and faster than the growth in the offender population.

The issue of identifying how to improve the efficiency of operating the Department of Correction requires more time, talent and resources than those which were available to the GGSC. This would be one of the key areas for study by the new Office of Government Efficiency Improvement recommended in this report.

The GGSC believes much, much work needs to be done in educating the public to the facts associated with the costs of operating the DoC and the steps needed to reduce these costs or at least curtail their rate of growth to something closer to the growth in offender population. The public needs to better understand the costs of dealing with those criminals "we don't like" compared to the costs of dealing with those criminals "we fear".

#### **KEY OBSERVATION TEN**

In addition to all of the data studied by the GGSC two pieces of information emerged at the end of our work which demand further analysis. The total cost to the State during F.Y. 2004 of State Employee Disability Payments and Workmen's Compensation payments was approximately \$27.0 Million. This is a significant amount which should be studied in much greater depth to determine the root causes and what steps can and should be taken to bring these costs down.

#### **SPECIAL OBSERVATION**

Nothing written in this report should be construed to suggest or imply that those working in our State government are not working diligently on behalf of the people of Indiana. This writer came to the Indiana Government Efficiency Commission with the predetermined conclusion that one simple answer to reducing the \$800 Million budget deficit would be to find those lazy, indolent workers in State government and bid them farewell. This writer has utterly failed in this endeavor. All of those State government employees, at all levels, with whom this writer has come into contact have proven to be honest, hard working and conscientious servants trying to do their best for the people of Indiana as either they see it or as their leaders see it.

In some cases this writer was pleasantly surprised to find individuals working in State government who are cognizant of modern management principles and the need to improve the measurement of government work to support improvements to service while reducing costs. This writer was presented with a number of examples of Agencies, Departments, Programs and individual employees taking such actions with wonderful results for the people of Indiana. The problem is that these examples and the employees involved are insufficient in number and much too dispersed across the many Agencies, Departments and Programs to have the effect of a "critical mass" on the entire culture of our State government. What is needed is an across the board effort to create the needed critical mass to bring about the needed changes in culture.

The Peak Performance program of Governor Kernan is a good and necessary step toward the objective of improving the efficiency and effectiveness of State government. Independent of this effort Governor Kernan has directed that the accounting procedures used across State government be unified and standardized to support more effective measurements of the many functions of State government. This, too, is a good and necessary step to improve the efficiency and effectiveness of State government. Those Agencies and Departments who have come together on the Chart of Accounts project noted in the Introduction section above are continuing the effort of the Unified Accounting program and are expanding the work to incorporate improved definitions of the information being recorded to more effectively support detailed measurements of State government functions and through this identify opportunities for reducing cost while improving performance. This work must be vigorously supported by both the Governor and the Legislature. The sooner these needed changes are identified and implemented the sooner meaningful analyses can be performed to effectively reduce the cost of our State Government.

## **RECOMMENDATIONS**

The Recommendations offered in this report are those of the writer and, as stated in the Observations section above, are the result of the breadth of experiences and the knowledge acquired while serving as the Chairman of the GGSC. Where the Observations and Recommendations offered in this Executive Summary are at variance with those contained in the various Task Team reports there should be no concern about the validity of the work performed and the Recommendations contained in the various Task Team reports. The Chairman stands with and fully supports all of the Task Teams and the results of their work. But, due to the constraints of time it was not possible to share observations and conclusions across all of the Task Teams. Only the Chairman enjoyed this view and that view was obtained because the Chairman chose to essentially abandon his professional occupation during his service on the General Government Subcommittee of the Indiana Government Efficiency Commission and devote himself almost exclusively to this work. This was a voluntary decision.

### **KEY RECOMMENDATION ONE**

The Legislature and the Executive Branch should immediately take the steps necessary to validate and support with allocated resources and appropriate directives the work of the Uniform Accounting/Chart of Accounts Task Team.

This is a multi-agency effort with direct participation by;

The State Budget Agency,  
The Auditor of the State,  
The Department of Administration and the Division of Information  
Technology,  
The Office of the Examiner/State Board of Accounts,  
The Office of the Superintendent of the Department of Education,

The Uniform Accounting/Chart of Accounts Task Team is working to bring about one of the most critical and fundamental changes to State government;

the detailed standardization of the recording of all business transactions to develop Timely, Accurate and Complete information to support detailed analyses of all of the functions of our State government to identify opportunities for cost reduction and performance improvements and to generally support more effective management of State government at all levels.

The primary resource required is sufficient time by the proper individuals to perform the needed work at an accelerated pace compared to most actions within State government. Currently the Uniform Accounting/Chart of Accounts Task Team is meeting every other week for one hour. While some work is performed between meetings the pace should be picked up to permit weekly meetings by allocating time devoted to this project to key staff members.

The Uniform Accounting/Chart of Accounts Task Team has discussed the need for a project action plan defining the tasks, the required resources and the time for each step/phase. Time needs to be allocated quickly to support the development of a detailed plan with milestones, time lines, required resources and completion dates.

An oversight group needs to be formed to guide the Uniform Accounting/Chart of Accounts Task Team, measure results and remove obstacles to progress. The oversight group should be comprised of key personnel from both the State Budget Agency and the Office of the State Auditor. Since both of these offices are now providing key personnel to the Task Team some adjustments in assignments will have to be made. But both offices must continue to be fully engaged in the effort at both the oversight as well as the working group level.

## **KEY RECOMMENDATION TWO**

The Legislature and the Governor must immediately restructure the entire Executive Branch of State Government to make it functionally more effective and more manageable. Some, but not all, of the logical steps to this end are described below in this Report. These steps are considered to be pivotal to bringing about fundamental change in the way State government operates to make it more Efficient/Cost Effective by reducing bureaucracy and the number of upper level Executive and Managers.

These specific recommendations are designed to reduce and eliminate many of the upper level management positions now contained separately within the various Agencies, Departments and Programs within the Executive Branch. In the judgment of this writer there are far too many Deputy of This and Deputy of That and Assistant to This and Assistant to That positions scattered throughout the Executive Branch. And far too many of these, along with the Agency/Department/Program heads are filled with an eye to the political persuasion of the incumbent. In too many cases this does not lead to efficient and effective management and thus does not benefit the people of Indiana.

Further, there is far too much duplication of effort in terms of the type of work being done across the various Agencies, Departments and Programs in the Executive Branch. In the judgment of this writer it is patently inefficient to duplicate Accounting, H.R. and I. T. functions across these many entities. And the current duplication of these functions and positions results in the creation and protection of the silo mentality that haunts our State government by fostering the fiefdoms that have so resisted many of the changes needed for improvement.

In the judgment of this writer the only way to deal with this is to pull it all up by the roots and start over. By creating central control with full Accountability and Responsibility for these common functions the Governor and the Legislature will know without a doubt just who to hold responsible and accountable for the results produced or not produced. This in turn will lead to a monumental change in the culture in the management of our State government which this writer is convinced is desperately needed.

- A. The Legislature and the Governor shall immediately establish a new position of Chief State Information Technology Officer (C.S.I.T.O.) reporting directly to the Governor.

The C.S.I.T.O. shall be Responsible and Accountable for implementing the PeopleSoft ERP system across the entire Executive Branch as quickly as practicable and shall have the Authority to obtain committed compliance and active leadership from all State Agencies, Departments and Programs in support of the effective implementation of PeopleSoft.

This position shall be Responsible and Accountable for all Information Systems and related computer based automation systems in use throughout the Executive Branch with the Authority to make critical decisions regarding system design, selection and implementation.

All State employees performing Information Technology work as their prime function shall be a part of the State Information Technology Office and shall be accountable to the C.S.I.T.O. for their performance.

All State employees performing Information Technology work as a part of their normal work shall be required to demonstrate their I. T. competence in the performance of their duties to the satisfaction of the C.S.I.T.O. and his/her designated subordinate managers. Those unable or unwilling to do so after appropriate training shall no longer be permitted to perform I. T. related duties.

As appropriate to achieve economies of scale the C.S.I.T.O. shall have the authority to combine I. T. related functions within any given set of Agencies, Departments and Programs.

All heads of State government Agencies, Departments and Programs shall be required to work with and cooperate fully with the C.S.I.T.O. in the development of system implementation and integration plans for their Agencies, Departments and Programs to enable the State to enjoy the benefits of a modern integrated Information Technology infrastructure as quickly as practicable at the lowest possible cost using the products under license from PeopleSoft and all related I. T. Systems.

The separately elected statewide offices of Auditor, Attorney General, Treasurer and Secretary of State shall be invited by the Legislature and strongly urged to participate with the C.S.I.T.O. in the implementation of PeopleSoft to their own operations to support the seamless electronic sharing of information across all key State Agencies, Departments and Programs.

B. Although the State Constitution does not provide for a true Chief Financial Officer the Legislature and the Governor shall establish an office of Chief State Fiscal Officer (C.S.F.O.) with complete Responsibility, Accountability and Authority for all functions currently performed by the State Budget Agency, all accounting and accounting related functions now occurring within the various Agencies, Departments and Programs of State government, all those functions now performed by the Department of Revenue, the Local Government Finance Department and all other Agencies, Departments and Programs related to budgeting and controlling spending in State government.

All State employees performing accounting work as their prime function shall be a part of the Office of the C.S.F.O. and shall be accountable to the C.S.F.O. for their performance.

All State employees performing accounting work as a part of their normal work shall be required to demonstrate their technical and administrative competence in the performance of their duties to the satisfaction of the C.S.F.O. and his/her designated subordinate managers. Those unable or unwilling to do so after appropriate training shall no longer be permitted to perform accounting related duties.

As appropriate to achieve economies of scale the C.S.F.O. shall have the authority to combine accounting functions within any given set of Agencies, Departments and Programs.

The C.S.F.O. shall have the Authority to control budgeting and spending by all Agencies, Departments and Programs within the Executive Branch.

The C.S.F.O. shall be the primary contact between the Legislature and the Executive Branch on all fiscal matters relating to State Government.

The Auditor of the State, the Treasurer of the State and the State Board of Accounts shall continue to be separate from the C.S.F.O. but shall work closely with the C.S.F.O. in the execution of their duties to provide the citizens of Indiana with the best possible management of their fiscal affairs once the Legislature has authorized a Budget.

C. The State Personnel Office shall be redefined and restructured to have a Chief State Human Resources Officer (C.S.H.R.O.) with full Responsibility, Authority and Accountability for all aspects of Human Resource Management within all Agencies, Departments and Programs of State government.

This position shall be Responsible and Accountable for all Human Resources functions and related systems in use throughout the Executive Branch with the Authority to make critical decisions regarding the administration and interpretation of all Human Resource policies.

All State employees performing Human Resources work as their prime function shall be a part of the State Human Resources Office and shall be accountable to the C.S.H.R.O. for their performance.

All State employees performing Human Resources work as a part of their normal work shall be required to demonstrate their competence in the performance of their duties to the satisfaction of the C.S.H.R.O. and his/her designated subordinate managers. Those unable or unwilling to do so after appropriate training shall no longer be permitted to perform H.R. related duties.

As appropriate to achieve economies of scale the C.S.H.R.O. shall have the authority to combine H.R. related functions within any given set of Agencies, Departments and Programs.

All heads of State government Agencies, Departments and Programs shall be required to work with and cooperate fully with the C.S.H.R.O. in the application and execution of Human Resource related policies and functions within their Agency, Department and Program to enable the State to enjoy the benefits of a modern integrated Human Resources function as quickly as practicable at the lowest possible cost.

D. The Legislature and the Governor should establish an Office of Economic Development headed by a Chief Economic Development Officer (C.E.D.O.) with complete Responsibility, Accountability and Authority for all functions related to economic development and job creation and retention within the State of Indiana.

The following separate Agencies, Departments and Programs shall be a part of the Office of Economic Development:

Department of Commerce  
Department of Workforce Development  
Ivy Tech  
Department of Transportation  
Department of Environmental Management  
Department of Natural Resources  
Clean Manufacturing Technology Board  
White River Park Commission  
War Memorials Commission  
Maumee River Basin Commission

St. Joseph River Basin Commission  
Environmental Adjudication  
Little Calumet River Basin Development Commission  
And all such other Agencies, Departments and Programs as  
appropriate to invest with this Office full and complete  
Responsibility, Accountability and Authority for all functions  
related to economic development and job creation and retention  
within the State of Indiana .

All State employees performing Economic Development work as their  
prime function shall be a part of the State Economic Development Office  
and shall be accountable to the C.S.E.D.O. for their performance.

All State employees performing Economic Development work as a part of  
their normal work shall be required to demonstrate their competence in the  
performance of their duties to the satisfaction of the C.S.E.D.O. and  
his/her designated subordinate managers. Those unable or unwilling to do  
so after appropriate training shall no longer be permitted to perform  
economic development related duties.

As appropriate to achieve economies of scale the C.S.E.D.O. shall  
have the authority to combine economic development related  
functions within any given set of Agencies, Departments and  
Programs.

All heads of State government Agencies, Departments and Programs shall  
be required to work with and cooperate fully with the C.S.E.D.O. in the  
application and execution of economic development related policies and  
functions within their Agency, Department and Program to enable the  
State to enjoy the benefits of a modern integrated economic development  
function as quickly as practicable at the lowest possible cost.

Further thought and analysis may point to a logical expansion of this new concept  
of Economic Development to include all of the State supported institutions of  
higher learning since each of them serves to provide a significant level of  
vocational education which is considered by most to be a critical resource to the  
future growth and development of our State economy.

The current stand alone agencies for Natural Resources, Environmental  
Management, Transportation, Workforce Development and Ivy Tech are included  
in the proposed Office of Economic Development as all of these agencies play a  
key role in supporting the expansion of existing businesses in the State and in  
attracting new business to the State. The Task Team reports on Natural  
Resources and Environmental Management make this point in subtle as well as in  
direct messages.



B. The Legislature and the Executive Branch must immediately review all of the “Commissions”, “Boards” and “quasi-governmental agencies” scattered throughout State government with the objective of eliminating any and all such budgeted items which serve no purpose other than to “advise” and to either eliminate, combine or privatize others.

If it is determined that the State needs “advice” from outsiders the model of the Indiana Government Efficiency Commission (I.G.E.C.) should be followed with the establishment of a volunteer commission with a specific charter, a sunset date, authority to “solicit Donations” and no funding other than reimbursement for travel and meals. All such Commissions can work with existing State agencies including LSA and seek pro-bono support from other “experts” to perform the assigned task(s), make their reports and fade back into the crowd. Quasi-governmental agencies such as Intelenet should be spun off into the private sector where they can pursue success with a business model sufficiently robust to deal with the competitive environment. Based on the information available to this writer at this time it appears that Intelenet should have no difficulty in being successful as a private sector organization. Any funds invested by the State to initiate such entities should be viewed as no less than a loan to be repaid in full with applicable interest.

As stated above under Key Observation Three there are currently forty-one (41) entities provided for by line item in the Budget that combined account for only (0.37%) of General Funds appropriated and only (0.76%) of Total Funds appropriated. These and other similar entities need to be eliminated from the Budget as quickly as possible to reduce the bewildering array of such entities. Here again if it is determined that any of these entities perform needed work they should be reconstituted under the (I.G.E.C.) model.

A key objective of this entire effort must be to both reduce the number of funded entities (how many are now on the books seems to be a function of who does the counting) as well as to streamline the number of entities within the Executive Branch.

It only seems logical that some number of these entities can and should be eliminated, combined and/or absorbed into some other Agency/entity to at least save the administrative and overhead costs associated with administering any functions required by Federal Law. If they are not required by Federal Law (and thus not funded to some extent by Federal Funds) one would have to question the reason for their existence in the first place, particularly in view of the serious financial problems facing the State.

The purpose of Recommendations A through E is to make State government more manageable and through this to support making State government more Efficient and thus less costly.

### **KEY RECOMMENDATION THREE**

The Legislature and the Governor must immediately take those steps needed to modernize the State's Personnel policies particularly those impacting hiring, promoting, retaining and financially rewarding State employees.

There are comments in a number of the Task Team reports of the GGSC referring to the problems which plague our State government due to the outmoded Personnel policies and procedure now in place regarding hiring, promoting and financially rewarding State employees. The reader is directed to those reports including the report of the Personnel Task Team to obtain first hand their Observations and Recommendations on this subject.

This writer now adds to the discussion with the following Recommendation.

The restructuring outlined above under Key Recommendation Two is not intended to increase the level of employment within State government but rather to reduce it by streamlining the management structure and providing for the creation of central staffs to perform the many repetitive tasks now done by Agency staffs and through this to improve both Efficiency and Utilization. Please refer to Item (1) in the Appendix for a discussion of these measurements.

Implicit in these recommendation is the expectation that the professional caliber of those employed at the highest two to three levels in the Executive Branch will be raised to include the best and brightest available from all sources and not just those with either some prior experience in government or with the "correct" political persuasion. Under current policies this is not always possible because employment at the highest levels of our State government does not carry with it compensation levels competitive with the private sector. Recognizing that our State government cannot afford to become fully competitive with the private sector in terms of compensation some new approach is required.

This writer urges the Legislature and the Governor to work with the private sector of our State to form a series of long lasting partnerships which will bring into State government for individual assignments of no less than two years the best and the brightest of their current executive/managerial ranks under some form of the following:

Private sector organizations will make available to the Governor and the Legislature lists of those proven professionals who have expressed an interest in serving in our State government for no less than two years,

These individuals will be interviewed and assessed by the Governor and where appropriate members of the Legislature to verify their commit to State government work and their suitability for the various tasks at hand,

Those individuals selected and who agree to serve will be paid by the State at the

pay level in place for that position in State government,

Any differential to the individual's pay at their private sector employer will be made up by their private employer during the time they are employed by the State,

Some accommodations will also be made for fringe benefits as needed,

All such costs of "making up the differential" will be fully deductible dollar for dollar from the private sector employer's State tax bill during the time of the individual's employment by the State,

Those private sector employers agreeing to participate with the State in this program will commit to those individuals who come into State government under this program re-employment at a comparable position with comparable compensation to the position they left when they joined State government for up to two years upon their return to the private sector employer.

It is the judgment of this writer that some program of this type is sorely needed to infuse our State government with new managerial talent and new thinking both of which are needed to help break the back of the ingrained and often inward looking thinking and "C.Y.A." culture that now exists in some cases at the highest two or three levels of management in our State government.

Those individuals brought into our State government under this partnership program to make these vitally needed changes should be chosen for their proven professional skills and not their political persuasion as is now often the case.

Should it occur that someone selected under this program determines that their personal political persuasion supersedes doing "the right thing" for the people of Indiana then that individual should be summarily dismissed and sent back to whence they came.

The same action must be taken for those who come into State government under this program and do not meet the performance requirements of their government position.

There is no need to trade one form of mediocrity for another.

This writer knows of no other way to bring into our State government at this critical time proven professionals of the caliber and in the numbers needed to change the way our State government operates with the objective of improving Efficiency, Reducing Cost and Eliminating Waste.

## **KEY RECOMMENDATION FOUR**

The Legislature and the Governor must work together to create an Office of Government Efficiency Improvement (or some other suitable title) with the clearly defined purpose of continuing to Study and Analyze our State government at all levels to identify opportunities and make detailed recommendation for improvements to productivity, efficiency and utilization of State government resources to reduce the cost while improving the effectiveness of State government.

As noted above at least seventeen (17) states now have some form of this function actively working to improve the cost effectiveness of their governmental functions. One state, Florida, has shared with us some of their accomplishments. Their Office of Program Policy Analysis and Government Accountability (OPPAGA) has reported to the GGSC that since 1994 they have saved the State of Florida approximately \$530 Million or approximately \$53.0 Million per year on average. Their Director reports that the staff of the Florida OPPAGA currently numbers eighty (80) with an annual budget of \$7.4 Million. These data suggest an average annual payback on the cost of operating the Florida OPPAGA of slightly over seven times. Their Director also reports that at least sixteen (16) other states have some form of a similar office to help reduce the costs of their governments and all of those sixteen (16) states have much smaller offices in terms of staffing and budget.

This writer, based on the knowledge and experienced gained by serving on the GGSC, feels passionately that Indiana has no choice but to form such an office to continue this work on a more effective basis with an appropriate level of resources to support effective outcomes. As noted above the Florida OPPAGA has what this writer considers to be an enormous staff of eighty (80) and an annual budget of about \$7.4 Million. We have no need of anything that large here in Indiana.

The model this writer advocates would have a staff of no more than fifteen with fourteen being professionals with a variety of skills and backgrounds,

At an average “fully loaded” (fringe benefits and salary) annual cost per individual employee of \$80,000 the budget for wages and fringes would be \$1,200,000. There would be additional budgeted funds for travel, floor space (hopefully space can be found within the existing State government complex), supplies and telephone/computers, etc. which might amount to an additional \$300,000 or so.

Thus, the total budget should be no more than \$1,700,000 allowing for some \$200,000 of “Kentucky Windage” in these numbers.

Based on the experience reported by Florida, it should be expected that during the second full year of existence this Office should begin to produce documented annual savings to the State of from \$6,000,000 to \$12,000,000. While these numbers are modest in comparison to those reported by the Florida OPPAGA they represent a good beginning with a moderate risk of funds to initiate the work. It is and always will be the philosophy of this writer that in matters such as this “Less is Better” in terms of funding, size of staff

and opulence of office space.

## **KEY RECOMMENDATION FIVE**

Rather than establish an entirely new office (Inspector General, Auditor General, etc.) to pursue fraud in our State government this writer, based on the knowledge and experience gained during the course of his work on the GGSC, feels very strongly that a better approach is to:

1. Provide to the Board of Accounts, the Attorney General and the State Police those tools and skills needed to detect and prosecute fraud in government at all levels within the State of Indiana,

This includes the power of the subpoena if such power is not now in place,

2. Strengthen and rigorously enforce with meaningful sanctions the existing policies and procedures designed to prevent fraud from occurring,
3. Implement a policy of immediately removing from office on paid leave/suspension the management of any Agency, Department or Program where an instance of fraud is suspected, such paid leave/suspension being terminated one way or the other when the fraud investigation is complete.

This third recommendation is intended to make it painfully clear to all Executives, Managers and Supervisors within all of the Agencies, Departments and Programs that a lax approach to preventing fraud will not be tolerated.

Discussions with the Office of the Examiner strongly suggest that many of the recently reported instances of fraud against our State government occurred because the policies and procedures designed to prevent fraud from occurring were not effectively implemented and enforced. By strongly addressing this kind of derelict laxness it should be possible to dramatically reduce the opportunities for fraud, which is the best deterrent. And, by holding Executives, Managers and Supervisors accountable for the actions of their people we reinforce the importance of fraud prevention throughout government.

This writer abhors fraud and detests all forms of theft from the Public Purse and insists that all such miscreants be identified quickly and prosecuted to the fullest extent of the law. At the same time detecting fraud means determining that fraud has occurred. At this point the horse is out of the barn and we are left to chasing it with the hope of recovering the horse and finding the thief. Too often the thief no longer has the horse and all the public is left with is the added cost of putting the thief in jail for some period of time.

The initial reaction of this writer when his work on the GGSC began was to support the creation of an Office of Inspector General with broad subpoena powers to root out fraud in our State government. The knowledge gained by performing the work of the GGSC has made it clear that there is a better, more effective and less costly approach and that is the approach advocated above.

## **KEY RECOMMENDATION SIX**

The Legislature and the Governor should continue to work expeditiously on all those programs designed to relieve the growth in offender population in our State prison system and to accelerate the release of those offenders who no longer pose a meaningful threat to society as the best means of controlling and ultimately reducing the cost of operating our Department of Correction.

The cost of operating the Department of Correction has increased by an average of fourteen point nine percent (14.9%) during the period 1990 to 2004 while the total offender population has grown by six point seven percent (6.7%). This reflects the impact of inflation and the changing demographic mix of the offender population and other factors. Someone said that the State can no longer look to the State Prison System as a driver of the economy through local employment of correctional personnel. This is true. Another person said the State cannot simultaneously claim to be tough on crime while following policies of fiscal conservatism. This too, is true.

The GGSC spent considerable time analyzing the Department of Correction and came to the conclusion that significant savings are not now available within this Agency due to the complexity (size, composition and the dynamics) and growth rate of the offender population and the demands for offender services such as rehabilitation from substance abuse and other costly medical related needs. Several steps have been taken to hold down the operating costs of the DoC such as purchasing utilities on the open market. But given that the key objective of the DoC is offender rehabilitation, the ability of the Department to effect serious rehabilitation in the offender population is adversely impacted by the combination of budget constraints and over crowding in certain facilities.

As noted in the Department of Correction Task Team report the Legislature and the Governor must continue to work both on reducing the flow of offenders into the prison system and accelerating the flow of offenders out of the prison system back into the community. Programs aimed at these objectives are now underway and some positive results are being experienced. Some of these programs are impacted by local/county politics where judges may prefer one form of program to another. In other cases there has been insufficient local support for programs such as Offender Reintegration. In some case counties have constructed county jails with capacity exceeding their needs with the intention of contracting with the State to house "selected" offenders and through this receiving per diem payments from the State as a means of paying for the facility.

The issue of identifying how to improve the efficiency of operating the Department of Correction requires more time, talent and resources than those which were available to the GGSC. This would be one of the key areas for study by the new Office of Government Efficiency Improvement recommended in this report. The GGSC believes much, much work needs to be done in educating the public to the facts associated with costs associated with the DoC and the steps needed to reduce these costs or at least curtail their rate of growth to something closer to the growth in offender population. The public needs to better understand the costs of dealing with those criminals “we don’t like” compared to the costs of dealing with those criminals “we fear”.

## APPENDICES

### APPENDIX ITEM (1) – PRODUCTIVITY

The classic definition of Productivity is:

Output divided by Input

How much “good stuff” did we get done measured against the total amount of Resources made available to perform the task?

Mathematically Productivity is also the product of:

Efficiency multiplied by Utilization

Efficiency is defined as:

The Total of Good Stuff Produced divided by Total Level or Value of Resources Devoted to producing Good Stuff

Utilization is defined as:

The Total Level or Value of Resources Devoted to producing Good Stuff divided by the Total Resources made available to produce Stuff – both Good and Bad

This last denominator is Defined as Total Capacity; the total number of people, hours, equipment, etc. provided/invested in to provide the capability of Producing Stuff

Dimensional analyses of these relationships shows that:

$PRODUCTIVITY = OUTPUT/INPUT$

$PRODUCTIVITY = EFFICIENCY \times UTILIZATION$

$OUTPUT/INPUT = EFFICIENCY \times UTILIZATION$

$OUTPUT/INPUT = (\text{The Total of Good Stuff Produced}/\text{The Total Level or Value of Resources Devoted to producing Good Stuff}) \times (\text{The Total Level or Value of Resources Devoted to producing Good Stuff}/\text{the Total Resources made available to produce Stuff – both Good and Bad})$

Note that the denominator in the Efficiency factor is identical to the numerator in the Utilization factor. Mathematically they cancel each other out leaving us with:



$$\text{OUTPUT/INPUT} = (\text{The Total of Good Stuff Produced} / \text{the Total Resources made available to produce Stuff} - \text{both Good and Bad})$$

In almost any “job function” we can identify these four factors and by collecting accurate, timely and complete data on each of them we can measure all three characteristics, Productivity, Efficiency and Utilization.

In turn, armed with this information, we can determine what changes/improvements need to be made to “reduce costs while improving performance”.

Here's a little more information.

$$\text{PRODUCTIVITY} = \text{OUTPUT/INPUT}$$

This tells us just how well does the function perform in terms of what it produces of value (Good Stuff) compared to the total value or cost of all the Resources we have made available to produce whatever it is that the function is producing,

This can be the number of transactions recorded per the total man hours of staff time available to record the transactions including those who are sick, on leave or absent for training but still on the payroll being paid.

EFFICIENCY tells us how effectively we have made use of those Resources of the Total made available which we have actually used to produce Good Stuff.

If we have a staff of ten and two are paid but not available to do the work then our denominator is 8 instead of 10.

UTILIZATION tells us how well we managed the Total Resources made available to produce Stuff – both Good and Bad to actually engage in producing Good Stuff.

If we have only 8 out of 10 available to do the work but the 8 were only producing Good Stuff for the equivalent of 6 hours per day then our utilization is;

48 hours per day/80 hours per day (assuming an 8 hour day per individual)  
Or 60% Utilization

In most organizations, in either the private, public/government, not-for-profit or military sectors, Utilization is the key driver of Productivity.

If 100% Efficiency is defined, based on some legitimate analysis, as 10 Good Units per hour worked producing Good Stuff, in most cases some individuals will produce more and some less than 10 units per hour, even in situations with a process controlled environment such as an assembly line,

That's why they have "relief" workers available on almost all assembly lines – to take up the slack due to whatever occurs.

It is not uncommon to see Efficiency levels of 110% or 120% at various times.

But, if Efficiency is 120% and Utilization is only 60% then Productivity is only 72% which in most organizations is categorized as "Ungood".

With only 60% Utilization, we would need Efficiency of 166.66% to achieve 100% Utilization.

With 85% Utilization, we would need Efficiency of 117.65% to achieve 100% Utilization.

These three simple relationships are the keys to our ability to manage State government with greater Productivity which is the key to lowering costs which as we all know we must find a way to accomplish.

**APPENDIX ITEM (2) – TABLES ON BUDGET APPROPRIATIONS – F.Y. 2004/2005**

**Fiscal Year 2004-2005 Appropriations**

**TABLE ONE**

**TOTAL FUNDS APPROPRIATED**

**GOVERNEMENT EFFICIENCY COMMISSION SUBCOMMITTEES**

<b><u>SUBCOMMITTEES</u></b>	<b><u>FY05 Gen Fund</u></b>	<b><u>FY05 Ded Fund</u></b>	<b><u>FY05 Fed Fund</u></b>	<b><u>FY05 Local Funds</u></b>	<b><u>FY05 Total</u></b>
K-12 AND HIGHER EDUCATION	\$ 4,214,825,511	\$ 1,650,317,953	\$ 636,185,580	\$ 34,475,805	\$ 6,535,804,849
MEDICAID AND HUMAN SERVICES	\$ 2,074,398,519	\$ 231,591,614	\$ 4,006,355,250	\$ 19,503,019	\$ 6,331,848,402
GENERAL GOVERNMENT	<u>\$ 1,364,852,817</u>	<u>\$ 4,574,615,893</u>	<u>\$ 1,816,234,159</u>	<u>\$ 853,800</u>	<u>\$ 7,756,556,669</u>
TOTAL ALL AGENCIES	\$ 7,654,076,847	\$ 6,456,525,460	\$ 6,458,774,989	\$ 54,832,624	\$ 20,624,209,920

**Fiscal Year 2004-2005 Appropriations**

**TABLE TWO**

**PERCENT OF TOTAL FUNDS APPROPRIATED**

**BY GOVERNEMENT EFFICIENCY COMMISSION SUBCOMMITTEE**

<b>SUBCOMMITTEES</b>	<b><u>FY05 Gen Fund</u></b>	<b><u>FY05 Ded Fund</u></b>	<b><u>FY05 Fed Fund</u></b>	<b><u>FY05 Local Funds</u></b>	<b><u>FY05 Total</u></b>
<b>K-12 AND HIGHER EDUCATION</b>	<b>55.07%</b>	<b>25.56%</b>	<b>9.85%</b>	<b>62.87%</b>	<b>31.69%</b>
<b>MEDICAID AND HUMAN SERVICES</b>	<b>27.10%</b>	<b>3.59%</b>	<b>62.03%</b>	<b>35.57%</b>	<b>30.70%</b>
<b>GENERAL GOVERNMENT</b>	<b>17.83%</b>	<b>70.85%</b>	<b>28.12%</b>	<b>1.56%</b>	<b>37.61%</b>
<b>TOTAL ALL AGENCIES</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

**Fiscal Year 2004-2005 Appropriations**

**TABLE THREE**

**AGENCIES STUDIED BY THE GENERAL GOVERNEMENT SUBCOMMITTEE  
FUNDS APPROPRIATED**

<b><u>AGENCIES STUDIED</u></b>	<b><u>FY05 Gen Fund</u></b>	<b><u>FY05 Ded Fund</u></b>	<b><u>FY05 Fed Fund</u></b>	<b><u>FY05 Local Funds</u></b>	<b><u>FY05 Total</u></b>
<b>DEPARTMENT OF REVENUE</b>	\$ 54,467,724	\$ 2,210,948,735	\$ -	\$ -	\$ 2,265,416,459
<b>DEPARTMENT OF TRANSPORTATION</b>	\$ 2,065,000	\$ 850,878,540	\$ 649,804,373	\$ 450,000	\$ 1,503,197,913
<b>MOTOR VEHICLES BURUREAU</b>	\$ -	\$ 58,012,166	\$ -	\$ -	\$ 58,012,166
<b>MOTOR VEHICLES COMMISSION</b>	\$ -	\$ 70,963,706	\$ -	\$ -	\$ 70,963,706
<b>SUBTOTAL - BMV</b>	\$ -	\$ 128,975,872	\$ -	\$ -	\$ 128,975,872
<b>DEPARTMENT OF CORRECTION</b>	\$ 557,434,437	\$ 85,806,149	\$ 753,092	\$ -	\$ 643,993,678
<b>NATURAL RESOURCES</b>	\$ 68,698,044	\$ 75,925,246	\$ 6,200,333	\$ -	\$ 150,823,623
<b>DEPARTMENT OF ENVIROMENTAL MGMT</b>	\$ 32,972,962	\$ 91,923,364	\$ 36,786,199	\$ -	\$ 161,682,525
<b>STATE PERSONNEL DEPARTMENT</b>	\$ 4,224,390	\$ -	\$ -	\$ -	\$ 4,224,390
<b>SUB TOTAL - AGENCIES STUDIED</b>	<b>\$ 719,862,557</b>	<b>\$ 3,444,457,906</b>	<b>\$ 693,543,997</b>	<b>\$ 450,000</b>	<b>\$ 4,858,314,460</b>
<b>TOTAL - ALL AGENCIES</b>	<b>\$ 7,654,076,847</b>	<b>\$ 6,456,525,460</b>	<b>\$ 6,458,774,989</b>	<b>\$ 54,832,624</b>	<b>\$ 20,624,209,920</b>
 <b>AUDITOR OF STATE</b>	 \$ 13,203,540	 \$ 860,296,492	 \$ -	 \$ -	 \$ 873,500,032

# Fiscal Year 2004-2005 Appropriations

**TABLE FOUR**

## AGENCIES STUDIED BY THE GENERAL GOVERNEMENT SUBCOMMITTEE PERCENT OF TOTAL FUNDS APPROPRIATED

<u>AGENCIES STUDIED</u>	<u>FY05 Gen Fund</u>	<u>FY05 Ded Fund</u>	<u>FY05 Fed Fund</u>	<u>FY05 Local Funds</u>	<u>FY05 Total</u>
DEPARTMENT OF REVENUE	0.71%	34.24%	0.00%	0.00%	10.98%
DEPARTMENT OF TRANSPORTATION	0.03%	13.18%	10.06%	0.82%	7.29%
MOTOR VEHICLES BURUREAU	0.00%	0.90%	0.00%	0.00%	0.28%
MOTOR VEHICLES COMMISSION	0.00%	1.10%	0.00%	0.00%	0.34%
SUBTOTAL - BMV	0.00%	2.00%	0.00%	0.00%	0.63%
DEPARTMENT OF CORRECTION	7.28%	1.33%	0.01%	0.00%	3.12%
NATURAL RESOURCES	0.90%	1.18%	0.10%	0.00%	0.73%
DEPARTMENT OF ENVIROMENTAL MGMT	0.43%	1.42%	0.57%	0.00%	0.78%
STATE PERSONNEL DEPARTMENT	<u>0.06%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.02%</u>
SUB TOTAL - AGENCIES STUDIED	<b>9.40%</b>	<b>53.35%</b>	<b>10.74%</b>	<b>0.82%</b>	<b>23.56%</b>
TOTAL - ALL AGENCIES	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

# **Fiscal Year 2004-2005 Appropriations**

**TABLE ONE**

## **TOTAL FUNDS APPROPRIATED**

<b><u>AGENCY</u></b>	<b>FY05 Gen Fund</b>	<b>FY05 Ded Funds</b>	<b>FY05 Fed Funds</b>	<b>FY05 Local Funds</b>	<b>FY05 Total</b>
DEPARTMENT OF EDUCATION	2,313,218,054	1,633,563,247	471,101,733	34,475,805	4,452,358,839
FAMILY & CHILDREN DIVISION	1,517,205,027	68,692,929	3,510,031,149	12,600,000	5,108,529,105
TEACHERS RETIREMENT FUND	346,832,000	2,370,364	-	-	349,202,364
indiana university	536,901,156	1,695,069	981,827	-	539,578,052
PURDUE UNIVERSITY	362,960,134	4,442,119	69,215	-	367,471,468
REVENUE DEPT	54,467,724	2,210,948,735	-	-	2,265,416,459
AUDITOR OF STATE	13,203,540	860,296,492	-	-	873,500,032
 SUB TOTAL	 \$ 5,144,787,635	 \$ 4,782,008,955	 \$ 3,982,183,924	 \$ 47,075,805	 \$ 13,956,056,319
ALL OTHER APPROPRIATIONS	<u>2,509,289,212</u>	<u>1,674,516,505</u>	<u>2,476,591,065</u>	<u>7,756,819</u>	<u>6,668,153,601</u>
 TOTAL ALL APPROPRIATIONS	 7,654,076,847	 6,456,525,460	 6,458,774,989	 54,832,624	 20,624,209,920



# **Fiscal Year 2004-2005 Appropriations**

**TABLE TWO**

## **PERCENT OF TOTAL**

<b><u>Agency</u></b>	<b><u>FY05 Ded Fund</u></b>	<b><u>FY05 Fed Fund</u></b>	<b><u>FY05 Local Funds</u></b>	<b><u>FY05 Total</u></b>
DEPARTMENT OF EDUCATION	25.30%	7.29%	62.87%	21.59%
FAMILY & CHILDREN DIVISION	1.06%	54.35%	22.98%	24.77%
TEACHERS RETIREMENT FD	0.04%	0.00%	0.00%	1.69%
IND UNIVERSITY	0.03%	0.02%	0.00%	2.62%
PURDUE UNIVERSITY	0.07%	0.00%	0.00%	1.78%
REVENUE DEPT	34.24%	0.00%	0.00%	10.98%
AUDITOR OF STATE	13.32%	0.00%	0.00%	4.24%
 SUB TOTAL	 74.06%	 61.66%	 85.85%	 67.67%
ALL OTHER ITEMS	<u>25.94%</u>	<u>38.34%</u>	<u>14.15%</u>	<u>32.33%</u>
 TOTAL ALL ITEMS	 100.00%	 100.00%	 100.00%	 100.00%

## APPENDIX ITEM (3) – FLORIDA OPPAGA

### FLORIDA EFFICIENCY AGENCY

#### **11.51 Office of Program Policy Analysis and Government Accountability.--**

(1) There is hereby created the Office of Program Policy Analysis and Government Accountability as a unit of the Office of the Auditor General appointed pursuant to s. [11.42](#). The office shall perform independent examinations, program reviews, and other projects as provided by general law, as provided by concurrent resolution, or as directed by the Legislative Auditing Committee, and shall provide recommendations, training, or other services to assist the Legislature.

(2) The Office of Program Policy Analysis and Government Accountability is independent of the Auditor General appointed pursuant to s. [11.42](#) for purposes of general policies established by the Legislative Auditing Committee.

(3) The Office of Program Policy Analysis and Government Accountability shall maintain a schedule of examinations of state programs.

(4) The Office of Program Policy Analysis and Government Accountability is authorized to examine all entities and records listed in s. [11.45](#)(3)(a).

(5) At the conclusion of an examination, the designated representative of the director of the Office of Program Policy Analysis and Government Accountability shall discuss the examination with the official whose office is examined and submit to that official the Office of Program Policy Analysis and Government Accountability's preliminary findings. If the official is not available for receipt of the preliminary findings, clearly designated as such, delivery thereof is presumed to be made when it is delivered to his or her office. Whenever necessary, the Office of Program Policy Analysis and Government Accountability may request the official to submit his or her written statement of explanation or rebuttal within 15 days after the receipt of the findings. If the response time is not requested to be within 15 days, the official shall submit his or her response within 30 days after receipt of the preliminary findings.

(6) No later than 18 months after the release of a report of the Office of Program Policy Analysis and Government Accountability, the agencies that are the subject of that report shall provide data and other information that describes with specificity what the agencies have done to respond to the recommendations contained in the report. The Office of Program Policy Analysis and Government Accountability may verify the data and information provided by the agencies. If the data and information provided by the agencies are deemed sufficient and accurate, the Office of Program Policy Analysis and Government Accountability shall report to the Legislative Auditing Committee and to the legislative standing committees concerned with the subject areas of the audit. The report shall include a summary of the agencies' responses, the evaluation of those responses, and any recommendations deemed to be appropriate.

#### **11.511 Director of the Office of Program Policy Analysis and Government Accountability; appointment; employment of staff; powers and duties.--**

(1)(a) The Legislative Auditing Committee shall appoint a director of the Office of Program Policy Analysis and Government Accountability by majority vote of the committee, subject to confirmation by a majority vote of the Senate and the House of Representatives. At the time of appointment, the director must have had 10 years' experience in policy analysis and program evaluation. The reappointment of a director is subject to confirmation by a majority vote of the Senate and the House of Representatives. The Legislative Auditing Committee may appoint an interim director.

(b) The appointment of the director may be terminated at any time by a majority vote of the Senate and the House of Representatives.

(2)(a) The director shall take and subscribe to the oath of office required of state officers by the State Constitution.

(b) Until such time as each house confirms the appointment of the director, the appointee shall perform the functions as provided by law.

(3)(a) The director shall make all spending decisions under the annual operating budget approved by the President of the Senate and the Speaker of the House of Representatives. The director shall employ and set the compensation of such professional, technical, legal, and clerical staff as may be necessary to fulfill the responsibilities of the Office of Program Policy Analysis and Government Accountability, in accordance with the joint policies and procedures of the President of the Senate and the Speaker of the House of Representatives, and may remove these personnel. The staff must be chosen to provide a broad background of experience and expertise and, to the maximum extent possible, to represent a range of disciplines that includes law, engineering, public administration,

environmental science, policy analysis, economics, sociology, and philosophy.

(b) An officer or full-time employee of the Office of Program Policy Analysis and Government Accountability may not serve as the representative of any political party or on any executive committee or other governing body thereof; receive remuneration for activities on behalf of any candidate for public office; or engage, on behalf of any candidate for public office, in the solicitation of votes or other activities in behalf of such candidacy. Neither the director of the Office of Program Policy Analysis and Government Accountability nor any employee of that office may become a candidate for election to public office unless he or she first resigns from office or employment.

(4) The director shall perform and/or contract for the performance of examinations and other duties as prescribed by law. The director shall perform his or her duties independently but under general policies established by the Legislative Auditing Committee.

(5) The director may adopt and enforce reasonable rules necessary to facilitate the examinations, reports, and other tasks that he or she is authorized to perform.

(6) When the director determines that conducting an examination would not be possible due to workload limitations or the project does not appear to be of critical interest to the Legislature, then, with the consent of the President of the Senate and the Speaker of the House of Representatives, the director may temporarily or indefinitely postpone such examinations. The director may at any time conduct a performance review of a governmental entity created by law.

**11.513 Program evaluation and justification review.--**

(1) Each state agency shall be subject to a program evaluation and justification review by the Office of Program Policy Analysis and Government Accountability as determined by the Legislative Auditing Committee. Each state agency shall offer its complete cooperation to the Office of Program Policy Analysis and Government Accountability so that such review may be accomplished.

(2) A state agency's inspector general, internal auditor, or other person designated by the agency head shall develop, in consultation with the Office of Program Policy Analysis and Government Accountability, a plan for monitoring and reviewing the state agency's major programs to ensure that performance data are maintained and supported by agency records.

(3) The program evaluation and justification review shall be conducted on major programs, but may include other programs. The review shall be comprehensive in its scope but, at a minimum, must be conducted in such a manner as to specifically determine the following, and to consider and determine what changes, if any, are needed with respect thereto:

(a) The identifiable cost of each program.

(b) The specific purpose of each program, as well as the specific public benefit derived there from.

(c) Progress toward achieving the outputs and outcomes associated with each program.

(d) An explanation of circumstances contributing to the state agency's ability to achieve, not achieve, or exceed its projected outputs and outcomes, as defined in s. [216.011](#), associated with each program.

(e) Alternate courses of action that would result in administration of the same program in a more efficient or effective manner. The courses of action to be considered must include, but are not limited to:

1. Whether the program could be organized in a more efficient and effective manner, whether the program's mission, goals, or objectives should be redefined, or, when the state agency cannot demonstrate that its efforts have had a positive effect, whether the program should be reduced in size or eliminated.

2. Whether the program could be administered more efficiently or effectively to avoid duplication of activities and ensure that activities are adequately coordinated.

3. Whether the program could be performed more efficiently or more effectively by another unit of government or a private entity, or whether a program performed by a private entity could be performed more efficiently and effectively by a state agency.

4. When compared to costs, whether effectiveness warrants elimination of the program or, if the program serves a limited interest, whether it should be redesigned to require users to finance program costs.

5. Whether the cost to administer the program exceeds license and other fee revenues paid by those being regulated.

6. Whether other changes could improve the efficiency and effectiveness of the program.

(f) The consequences of discontinuing such program. If any discontinuation is recommended, such recommendation must be accompanied by a description of alternatives to implement such recommendation, including an implementation schedule for discontinuation and recommended procedures for assisting state agency employees affected by the discontinuation.

(g) Determination as to public policy, which may include recommendations as to whether it would be sound public policy to continue or discontinue funding the program, either in whole or in part, in the existing manner.

(h) Whether the information reported as part of the state's performance-based program budgeting system has relevance and utility for the evaluation of each program.

(i) Whether state agency management has established control systems sufficient to ensure that performance data are maintained and supported by state agency records and accurately presented in state agency performance reports.

(4) No later than December 1 of the second year following the year in which an agency begins operating under a performance-based program budget, the Office of Program Policy Analysis and Government Accountability shall submit a report of evaluation and justification review findings and recommendations to the President of the Senate, the Speaker of the House of Representatives, the chairpersons of the appropriate substantive committees, the chairpersons of the appropriations committees, the Legislative Auditing Committee, the Governor, the head of each state agency that was the subject of the evaluation and justification review, and the head of any state agency that is substantially affected by the findings and recommendations.

(5) The Legislature intends that the program evaluation and justification review procedure be designed to assess the efficiency, effectiveness, and long-term implications of current or alternative state policies, and that the procedure results in recommendations for the improvement of such policies and state government. To that end, whenever possible, all reports submitted pursuant to subsection (4) must include an identification of the estimated financial consequences, including any potential savings that could be realized if the recommendations or alternative courses of action were implemented.

(6) Evaluation and justification reviews may include consideration of programs provided by other agencies which are integrally related to the programs administered by the state agency or entity which is scheduled for review as determined by the Legislative Auditing Committee.

## **APPENDIX ITEM (4) – COMPLEX CULTURAL**

**MANAGING**  
**COMPLEX CULTURAL CHANGE**

# **MANAGING COMPLEX CULTURAL CHANGE**

## Five Steps Required to Successfully Achieve a Change in Culture

**VISION:** What Change do you want to Achieve – Clearly Communicate to All  
This is “Leadership”

**SKILLS:** Provide the Skills needed to be Successful in the New Culture

**INCENTIVES:** Why Should I “Change” – “What’s in it For Me?”

**RESOURCES:** What Resources are Needed to Successfully Implement the  
Desired Change and Are they Available?

**ACTION PLAN:** How will the Change be Implemented – What Steps will  
Be Required and How will this be Done – What’s my role?

# Managing Complex Change

(Ambrose 1987)

Vision	+	Skills	+	Incentives	+	Resources	+	Action Plan	= <i>Change</i>
	+	Skills	+	Incentives	+	Resources	+	Action Plan	= <i>Confusion</i>
Vision	+		+	Incentives	+	Resources	+	Action Plan	= <i>Anxiety</i>
Vision	+	Skills	+		+	Resources	+	Action Plan	= <i>Gradual Change</i>
Vision	+	Skills	+	Incentives	+		+	Action Plan	= <i>Frustration</i>
Vision	+	Skills	+	Incentives	+	Resources	+		= <i>False Starts</i>